

CLEVELAND PUBLIC LIBRARY  
BUSINESS INF. BUR.  
CORPORATION FILE

MONTGOMERY WARD Annual Report



1960

## *RESULTS AT A GLANCE* for the fiscal year ended

### **OPERATIONS**

|   |           |
|---|-----------|
| Net sales . . . . .   | • • • • • |
| Net earnings . . . . .  | • • • • • |
| Dividends paid . . . . .  | • • • • • |
| Additions to properties and equipment, including subsidiaries . . . . . | • • • • • |

### **FINANCIAL POSITION**

|  |           |
|--|-----------|
| Working capital . . . . .                            | • • • • • |
| Net investment in properties and equipment . . . . . | • • • • • |
| Shareholders' investment . . . . .                   | • • • • • |

### **SHAREHOLDERS' INTEREST**

|                                       |           |
|---------------------------------------|-----------|
| Investment per common share . . . . . | • • • • • |
| Earnings per common share . . . . .   | • • • • • |
| Dividends per common share . . . . .  | • • • • • |

*Evening shopping hours are attracting larger numbers of families to Wards' new stores, as at Northline Shopping Center, Houston, below.*



*February 1,  
1961*

*February 3,  
1960*

|                 |                 |
|-----------------|-----------------|
| \$1,248,993,866 | \$1,222,596,263 |
| 15,053,599      | 30,656,537      |
| 20,619,205      | 27,010,180      |
| 39,746,106      | 36,073,835      |

|                |                |
|----------------|----------------|
| \$ 490,938,606 | \$ 541,005,545 |
| 111,738,927    | 104,691,071    |
| 640,218,052    | 645,696,616    |

|          |          |
|----------|----------|
| \$ 48.42 | \$ 48.85 |
| 1.07     | 2.28     |
| 1.50     | 2.00     |

WARDS





Chairman John A. Barr talks to shareholders and customers at preview of new

## To Our Shareholders:

Net sales of \$1,248,993,866 for the 52-week fiscal year ended February 1, 1961, were the highest in the history of the Company and were 2.1 per cent higher than the sales of \$1,222,596,263 for the 53-week fiscal year ended February 3, 1960.

Net earnings of the Company were \$15,053,599, equal to \$1.07 per share of common stock. This compared with earnings of \$30,656,537 or \$2.28 per share the previous year.

Common stock dividends of \$19,208,327, equal to \$1.50 per share, were paid during the year. After paying two quarterly dividends at the rate of 50¢ per share, the Board of Directors, in the light of lower earnings, reduced the regular quarterly dividend payments to 25¢ per share. Dividends of \$7.00 per share, amounting to \$1,410,878, were paid on the Class "A" stock.

The retail industry was adversely affected by a weak economy during the past year. Montgomery Ward's earnings declined more during 1960 than did those of many other national retailers because of Wards' relatively large number of older stores which are more susceptible to the competitive pressures of a recessionary economy. Sales from these older stores were five per cent lower in 1960 than in 1959.

Originally, and for the first fifty-four years of its existence, Montgomery Ward was exclusively a mail

order business with mostly rural customers. Beginning in 1926, the catalog business was supplemented by the establishment of a chain of retail stores located, for the most part, in small and medium sized cities and towns. During the fifteen years from 1941 to 1956 the Company pursued a policy of retrenchment. No new stores were opened during this period and maintenance of existing facilities was rigidly restricted.

In 1956, the Company embarked upon an active program of change and expansion. This program is designed to make Montgomery Ward fully and aggressively competitive and to broaden its market to the more dynamic metropolitan areas of the nation.

Of the 547 retail stores in operation at the beginning of 1960, 363 were more than 25 years old, 416 had an annual sales volume of less than \$1,500,000, and 415 were located in cities of less than 50,000 population.

During 1960, 21 new retail stores were opened. In contrast with the older stores, 18 of these new stores were in cities of over 50,000 population and their average projected annual sales volume is approximately \$6,000,000 per store. This is indicative of our plan to guide the Company's expansion toward the larger metropolitan markets with bigger stores which can better serve our customers.

During 1960, 39 of the older stores were closed. Of these, 7 were replaced by new and larger stores in better



Montgomery Ward store in Santa Ana, California.

locations and 21 were replaced with catalog stores. The Company had 529 retail stores at the end of 1960. About 30 of the older stores with poor performance records are being closed during 1961.

Present plans are to open 24 new retail stores in 1961, 7 of which will be relocations of older stores, 12 will be additional stores in metropolitan markets where the Company already has one or more stores, and 5 will be in communities where the Company has not previously had a store.

Fifty-nine new catalog stores were added during the year. The Company had 627 of these catalog units in operation at the year's end.

Two new distribution centers were opened in recent months, one in Baltimore, Maryland, and the other in Fort Worth, Texas. This brings to five the number of large distribution centers opened since the fall of 1958. The efficiency and economy of our distribution is further being improved by expansion of our system of private transportation. Ward trucks now serve the merchandise needs of 837 retail and catalog stores on a daily basis from our distribution centers and mail order houses. In 1960, we moved 335,000 tons of merchandise by private carriage, as compared with 188,000 tons in 1959 and 41,000 tons in 1958.

To improve the effectiveness of our expanding import program, and to realize the economies of direct buying,

we have opened offices in Florence, Italy; Vienna, Austria; Copenhagen, Denmark; London, England; Tokyo, Japan; and have enlarged our office in Frankfurt, West Germany.

The program announced last year to improve the quality of our catalogs and to reduce printing costs by standardizing the page size of all catalogs and printing them on new high speed presses is now fully effective. The current general catalog in the new 8 by 11 inch size, first released in January 1961, is being well received by customers.

Credit sales during the year amounted to 39.7 per cent of total sales as compared with 37.2 per cent last year. Accounts receivable at the end of the year, including those sold to the Montgomery Ward Credit Corporation, totaled \$400,003,968, principally represented by 2,418,000 time payment accounts and 645,000 revolving charge accounts. Accounts receivable have increased \$210,278,367 during the past five years.

During the year, the Montgomery Ward Credit Corporation and two real estate subsidiaries, all fully owned by Montgomery Ward, were organized. The Credit Corporation purchased \$342,318,617 of accounts receivable from the parent company during the year. As of the end of the year, the Credit Corporation had \$50,000,000 of long term and \$74,618,762 of short term debt outstanding. In February of this year, the Credit Corporation sold an additional \$50,000,000 of long term debentures. The real estate subsidiaries owned 11 properties at the year end for the parent company's use and had outstanding debt of \$19,100,000.

The Company's capital needs are being adequately supplied by these subsidiaries.

On December 14, 1960, Meyer Kestnbaum, a Director of Montgomery Ward since April 1957, was fatally stricken by a sudden heart attack. We record his death with deep sorrow. As a Director and as a member of the Executive Committee, Mr. Kestnbaum gave unstintingly of his time and talents to the welfare of the Company.

The year 1961 has begun in a period of economic recession and the condition of business for the full year is difficult to predict. However, the Company's competitive potential is stronger today than at any time in the past decade, and we are confident that over the years ahead, as present programs for improvement and expansion become fully effective, the profitability of Montgomery Ward's operations will show significant improvement.

Respectfully submitted,



Chairman of the Board

April 18, 1961



## Financial Statistics

Montgomery Ward has changed many of its policies in recent years and the charts on these pages illustrate the effects of the changes on the Company's sales trends.

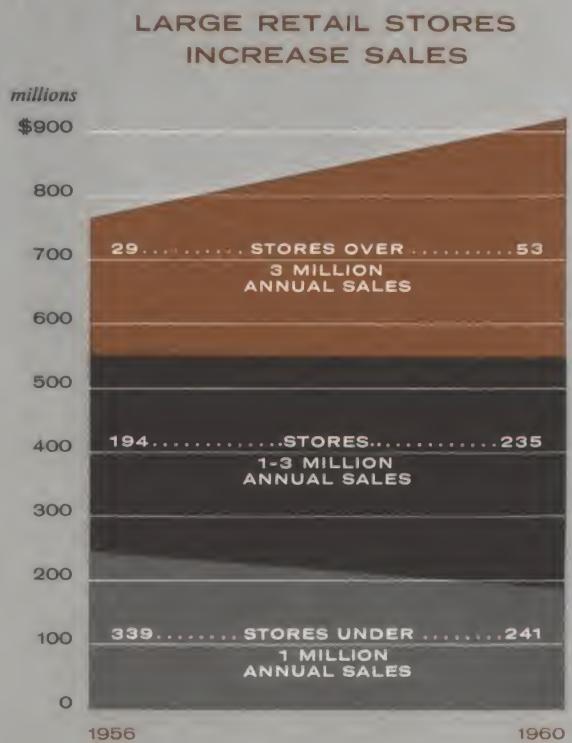
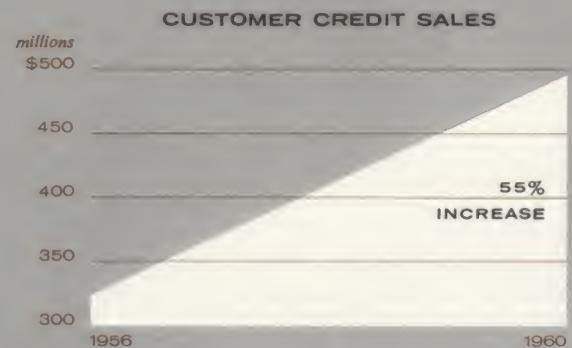
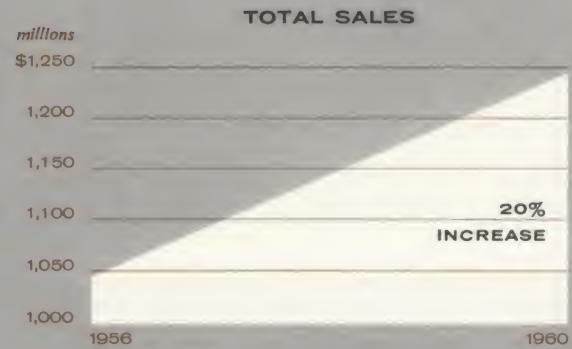
Net sales of \$1,248,993,866 established a new record high in the 1960 fiscal year of 52 weeks, surpassing the previous record set in 1959 when sales of \$1,222,596,263 for 53 weeks were recorded. In the past five years, sales have increased 20%.

Wards more aggressive promotion of credit sales in recent years is reflected in the chart on this page showing the substantial increase that has taken place in credit sales during the last five years, from \$320,737,000 to \$496,468,000.

Retail and catalog stores accounted for 89% of the Company's total sales. Catalog orders received by mail directly from customers accounted for 11%. Of the total sales, one-third was attributable to catalog merchandising through stores and direct mailings, the same proportion that has existed for several years.

At the end of 1960, 529 Montgomery Ward retail stores were in operation as compared with 562 at the end of 1956. Total sales of these stores in 1960 were \$917,606,000 as compared with \$762,990,000 in 1956.

It is significant that Wards now is selling more merchandise through fewer stores.



#### NEW RETAIL STORES



#### AVERAGE SALES PER STORE



#### NEW RETAIL STORES INCREASE SALES



Since 1956, 39 new stores have been opened and the four Fair stores of Chicago were acquired. During these same years, 76 of the Company's older retail stores with poor performance records were closed.

An important result of this program is that average sales per retail store have increased 25% in this five year period.

The relative proportion of sales made by the new and the large stores is graphically portrayed in the two charts at the left. As the number of large stores has been increased, total sales have increased.

The 43 new stores opened or acquired during the past five years accounted for 22% of the total retail sales of Montgomery Ward in 1960. This percentage will increase as additional new stores are opened each year.

The Company is continuing to expand its catalog store operations. Twenty-one of those opened replaced retail stores closed during the past year and 49 were established in new areas; several catalog stores also were closed during the year, including five that were replaced by new retail stores. The number of catalog stores has been more than doubled, from 301 to 627, in the last five years. Through these stores, Wards is offering better service to more customers in more communities.



Wards also has been expanding its auto service facilities. It now provides full maintenance and repair services for its customers through 1,466 service stalls, an increase of 144% over the 601 stalls in service at the end of 1956.

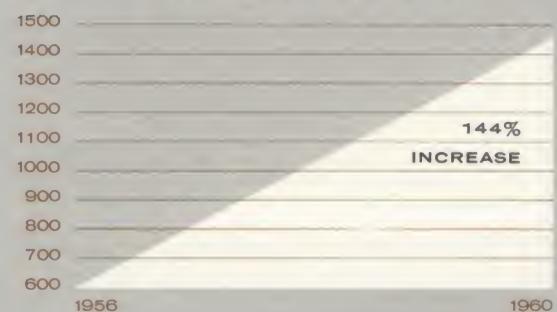
Additions to the properties and equipment account amounted to \$39,746,106 during the year. This compares with total additions to properties and equipment of \$36,073,835 last year. Capital expenditures five years ago totaled only \$10,516,918.

Unexpended capital appropriations amounted to \$43,461,000 at the end of the year, compared with \$47,793,000 last year.

In 1960, accounts receivable, consisting principally of time payment accounts, increased 12% from \$356,590,631 to \$400,003,968. \$161,158,677 of these receivables were held by the Montgomery Ward Credit Corporation at the end of the year.

The changed composition of the asset accounts of the Company and its wholly owned subsidiaries since 1956 is shown in the chart at the right. Cash and securities were reduced 80% while accounts receivable increased 68%, fixed assets increased 253%, and inventories increased 8%. During this period, the value of other assets remained relatively constant at 3% of total assets.

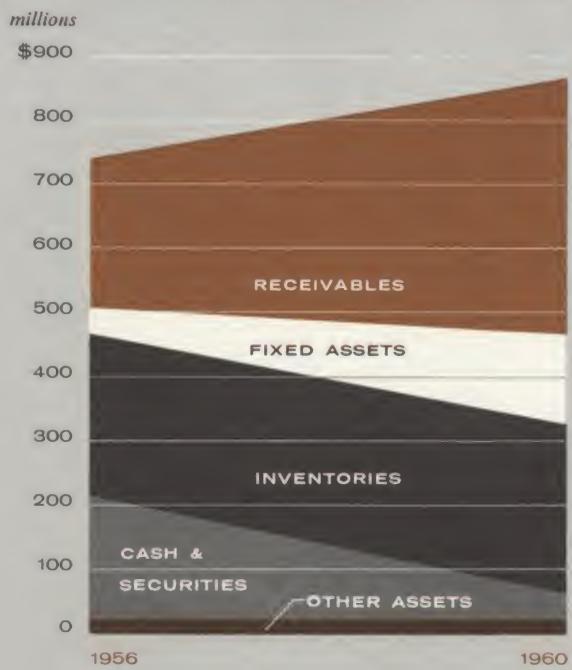
#### AUTO SERVICE STALLS



#### CAPITAL EXPENDITURES



#### CHANGE IN DISTRIBUTION OF ASSETS (including subsidiaries)



*Montgomery Ward & Co., Incorporated*

## *Consolidated Statements of Earnings and Earnings Reinvested*

*for the periods ended February 1, 1961 and February 3, 1960*

|   | <b>1961</b><br><b>(52 Weeks)</b> | <b>1960</b><br><b>(53 Weeks)</b> |
|---|----------------------------------|----------------------------------|
| <b>EARNINGS</b>   |                                  |                                  |
| <b>NET SALES</b>  | <b>\$1,248,993,866</b>           | <b>\$1,222,596,263</b>           |
| <b>COSTS AND EXPENSES:</b>  |                                  |                                  |
| Cost of merchandise sold, including net buying, operating, selling and administrative expenses other than itemized herein | \$1,165,562,192                  | \$1,110,190,374                  |
| Property, social security and state taxes   | 21,932,236                       | 18,671,667                       |
| Rents   | 16,836,768                       | 15,362,830                       |
| Repairs and maintenance   | 5,396,392                        | 5,130,565                        |
| Depreciation and amortization   | 8,317,153                        | 6,429,527                        |
| Contribution to employees' retirement plan  | 3,596,045                        | 3,379,763                        |
| Provision for Federal taxes on income   | 14,340,000                       | 32,775,000                       |
| Total costs and expenses  | \$1,235,980,786                  | \$1,191,939,726                  |
| <b>NET EARNINGS FROM OPERATIONS</b>   | <b>\$ 13,013,080</b>             | <b>\$ 30,656,537</b>             |
| <b>NET EARNINGS OF WHOLLY OWNED SUBSIDIARY COMPANIES</b>  | <b>2,040,519</b>                 | <b>—</b>                         |
| <b>NET EARNINGS</b>   | <b>\$ 15,053,599</b>             | <b>\$ 30,656,537</b>             |
| <b>EARNINGS REINVESTED</b>  |                                  |                                  |
| <b>BALANCE AT BEGINNING OF YEAR</b>   | <b>\$ 421,235,721</b>            | <b>\$ 417,589,364</b>            |
| <b>NET EARNINGS</b>   | <b>15,053,599</b>                | <b>30,656,537</b>                |
| Total   | \$ 436,289,320                   | \$ 448,245,901                   |
| <b>CASH DIVIDENDS:</b>  |                                  |                                  |
| Class A stock—\$7.00 per share  | \$ 1,410,878                     | \$ 1,410,878                     |
| Common stock—\$1.50 per share in fiscal 1960 and \$2.00 per share in fiscal 1959  | 19,208,327                       | 25,599,302                       |
| Total   | \$ 20,619,205                    | \$ 27,010,180                    |
| <b>BALANCE AT END OF YEAR</b>   | <b>\$ 415,670,115</b>            | <b>\$ 421,235,721</b>            |

*Explanatory financial notes to this statement appear on page 11.*

*Montgomery Ward & Co., Incorporated*

## Consolidated Balance Sheet

*as of February 1, 1961 and February 3, 1960*

### ASSETS

#### CURRENT ASSETS:

|   | 1961                 | 1960                 |
|---|----------------------|----------------------|
| Cash . . . . .  | \$ 28,994,493        | \$ 25,939,924        |
| Marketable securities, at cost (including \$20,000,000 of Montgomery Ward Credit Corporation commercial paper in 1961) . . . . .  | 27,770,255           | 7,616,154            |
| Receivables, principally time payment accounts (including in 1961, \$18,601,751 equity in \$186,017,509 of receivables sold without recourse to Montgomery Ward Credit Corporation), less reserves for doubtful accounts and unearned carrying charge income of \$18,969,046 in 1961 and \$19,183,631 in 1960 . . . . . | 241,848,794          | 356,590,631          |
| Merchandise inventories, at the lower of cost or market . . . . .   | 266,784,895          | 260,218,266          |
| Prepaid catalog costs, supplies, etc. . . . .   | 25,337,319           | 23,385,875           |
| Total current assets . . . . .  | <u>\$590,735,756</u> | <u>\$673,750,850</u> |

#### NET EQUITY OF WHOLLY OWNED SUBSIDIARIES (See accompanying balance sheets)

| PROPERTIES AND EQUIPMENT, at cost:                   | 1961                 | 1960                 |
|--|----------------------|----------------------|
| Land . . . . .                                       | \$ 12,194,799        | \$ 14,086,300        |
| Buildings . . . . .                                  | \$ 83,755,435        | \$ 85,102,801        |
| Fixtures and equipment . . . . .                     | 71,392,491           | 56,303,016           |
| Total buildings, fixtures and equipment . . . . .    | <u>\$155,147,926</u> | <u>\$141,405,817</u> |
| Less—Reserves for depreciation . . . . .             | <u>65,093,991</u>    | <u>59,483,372</u>    |
| Leasehold improvements, after amortization . . . . . | 90,053,935           | 81,922,445           |
| Total properties and equipment . . . . .             | <u>9,490,193</u>     | <u>8,682,326</u>     |
|  | <u>\$111,738,927</u> | <u>\$104,691,071</u> |
|  | <u>\$740,015,202</u> | <u>\$778,441,921</u> |

### LIABILITIES

#### CURRENT LIABILITIES:

|  |                      |                      |
|--|----------------------|----------------------|
| Notes payable to banks . . . . .                 | \$ —                 | \$ 28,000,000        |
| Accounts payable and other liabilities . . . . . | 59,042,768           | 52,312,055           |
| Accrued expenses . . . . .                       | 28,990,697           | 29,012,517           |
| Federal taxes on income . . . . .                | 11,763,685           | 23,420,733           |
| Total current liabilities . . . . .              | <u>\$ 99,797,150</u> | <u>\$132,745,305</u> |

#### CAPITAL STOCK AND EARNINGS REINVESTED:

##### Class A stock, no par value—

|  |               |               |
|--|---------------|---------------|
| Authorized 205,000 shares noncallable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value . . . . . | \$ 20,155,400 | \$ 20,155,400 |
|--|---------------|---------------|

##### Common stock, no par value—

|   |                    |                    |
|---|--------------------|--------------------|
| Authorized 20,000,000 shares; issued 13,004,756 shares, at stated value . . . . . | \$211,231,385      | \$211,231,385      |
| Earnings reinvested in the business . . . . .                                     | <u>415,670,115</u> | <u>421,235,721</u> |

|   |               |               |
|---|---------------|---------------|
| Total of common stock and earnings reinvested in the business . . . . . | \$626,901,500 | \$632,467,106 |
|---|---------------|---------------|

|  |           |           |
|--|-----------|-----------|
| Less—Treasury common stock, 199,060 shares in 1961 and 201,350 shares in 1960, at cost . . . . . | 6,838,848 | 6,925,890 |
|--|-----------|-----------|

|   |                    |                    |
|---|--------------------|--------------------|
| Total capital stock and earnings reinvested . . . . . | <u>620,062,652</u> | <u>625,541,216</u> |
|---|--------------------|--------------------|

|  | 1961                 | 1960                 |
|--|----------------------|----------------------|
|  | <u>\$640,218,052</u> | <u>\$645,696,616</u> |
|  | <u>\$740,015,202</u> | <u>\$778,441,921</u> |

*Explanatory financial notes to this statement appear on page 11.*

*Montgomery Ward Credit Corporation*

*Balance Sheet as of February 1, 1961*

**1961**

**ASSETS**

**CURRENT ASSETS:**

|   |                             |
|---|-----------------------------|
| Cash . . . . .  | \$ 1,086,367                |
| Customers' deferred payment accounts purchased without recourse from Montgomery Ward & Co., Incorporated . . . . .                            | \$186,017,509               |
| Less portion of purchase price withheld pending collection (including allowance of \$1,860,175 for estimated uncollectible accounts). . . . . | <u>18,601,751</u>           |
| Prepaid interest on notes payable . . . . .   | 167,415,758                 |
| Total current assets . . . . .  | 216,367                     |
|   | <u>\$168,718,492</u>        |
| <b>DEBENTURE DISCOUNT AND EXPENSE, after amortization . . . . .</b>   | <b>962,085</b>              |
| <b>ORGANIZATION EXPENSE, after amortization . . . . .</b>   | <b>26,160</b>               |
| <b>OTHER ASSETS . . . . .</b>   | <b>13,117</b>               |
|   | <u><u>\$169,719,854</u></u> |

**LIABILITIES**

**CURRENT LIABILITIES:**

|  |               |
|--|---------------|
| Notes payable . . . . .                          | \$ 74,618,762 |
| Accrued interest and other liabilities . . . . . | 393,109       |
| Federal taxes on income . . . . .                | 1,410,000     |
| Total current liabilities . . . . .              | \$ 76,421,871 |

**LONG TERM DEBT:**

|  |            |
|--|------------|
| 4 $\frac{7}{8}$ % Debentures, due July 1, 1980 . . . . . | 50,000,000 |
|--|------------|

**UNEARNED DISCOUNT ON DEFERRED PAYMENT ACCOUNTS . . . . .**

6,257,081

**INVESTMENT OF MONTGOMERY WARD & CO., INCORPORATED:**

|  |                             |
|--|-----------------------------|
| Common stock, \$100 par value—   |                             |
| Authorized 500,000 shares; issued and outstanding 250,000 shares   | \$25,000,000                |
| Capital in excess of par value . . . . .   | 10,000,000                  |
| Net income for the period from April 4, 1960 (the date the Credit Corporation began operations) to February 1, 1961. . . . . | <u>2,040,902</u>            |
|  | 37,040,902                  |
|  | <u><u>\$169,719,854</u></u> |

*Explanatory financial notes to this statement appear on page 11.*

*M-W Properties Corporation*

*Balance Sheet as of February 1, 1961*

**ASSETS**

**CURRENT ASSETS:**

|  |                   |
|--|-------------------|
| Cash . . . . .                                       | \$ 55,823         |
| Marketable securities, short term, at cost . . . . . | 549,866           |
| Total current assets . . . . .                       | <u>\$ 605,689</u> |

**PROPERTIES (Leased to Montgomery Ward & Co., Incorporated) at cost:**

|  |                     |
|--|---------------------|
| Land . . . . .   | \$ 2,262,647        |
| Buildings, less reserves for depreciation of \$217,656 . . . . . | 16,478,588          |
| Total properties . . . . .                                       | <u>\$18,741,235</u> |
| <b>FINANCING EXPENSE, after amortization</b> . . . . .           | \$ 75,088           |
|  | <u>\$19,422,012</u> |

**LIABILITIES**

**CURRENT LIABILITIES:**

|  |                   |
|--|-------------------|
| Accrued expense . . . . .  | \$ 66,283         |
| Federal taxes on income . . . . .  | 1,700             |
| Principal payments of 5 1/4% secured notes due within one year . . . . . | 271,000           |
| Total current liabilities . . . . .                                      | <u>\$ 338,983</u> |

**5 1/4% SECURED NOTES**, due serially to February 1, 1991, less principal payments of \$271,000 due within one year . . . . .

18,829,000

**INVESTMENT OF MONTGOMERY WARD & CO., INCORPORATED:**

|  |                |
|--|----------------|
| Common stock, \$100 par value—   |                |
| Authorized 25,000 shares; issued and outstanding 2,500 shares . . . . .                                  | \$250,000      |
| Net income for the period February 15, 1960 (the date of incorporation)<br>to February 1, 1961 . . . . . | 4,029          |
|  | <u>254,029</u> |

\$19,422,012

*Montgomery Ward Realty Corporation*

*Balance Sheet as of February 1, 1961*

**ASSETS**

**CURRENT ASSETS:**

|  |                   |
|--|-------------------|
| Cash . . . . .                                       | \$ 25,055         |
| Marketable securities, short term, at cost . . . . . | 224,945           |
| Total current assets . . . . .                       | <u>\$ 250,000</u> |

**PROPERTIES—Land, at cost** . . . . .

3,001,380

\$ 3,251,380

**LIABILITIES**

**CURRENT LIABILITIES:**

|  |                     |
|--|---------------------|
| Account payable to Montgomery Ward & Co., Incorporated . . . . . | \$ 3,000,974        |
| Accrued expense . . . . .  | 4,818               |
| Total current liabilities . . . . .                              | <u>\$ 3,005,792</u> |

**INVESTMENT OF MONTGOMERY WARD & CO., INCORPORATED:**

|   |           |
|---|-----------|
| Common stock, \$100 par value—  |           |
| Authorized 25,000 shares; issued and outstanding 2,500 shares . . . . .                               | \$250,000 |
| Net loss for the period January 23, 1961 (the date of incorporation) to<br>February 1, 1961 . . . . . | 4,412     |

245,588

\$ 3,251,380

## *Notes to Financial Statements*

### **MONTGOMERY WARD & CO., INCORPORATED**

1. On February 3, 1961, the Company made an additional capital contribution of \$15,000,000 to the Montgomery Ward Credit Corporation.
2. Under a retirement pension plan established by the Company and its subsidiaries, there was an estimated unfunded past-service liability of approximately \$35,000,000 as of February 1, 1961. Provision was made during the fifty-two week period ended February 1, 1961, for interest on past-service liability and full funding of current-service liability.
3. On February 1, 1961, the Company had reserved, under a restricted stock option plan, 390,560 shares of its authorized but unissued common stock for issuance to officers and key employees. Under the terms of the plan the Company may elect to issue reacquired stock in lieu of authorized but unissued common stock. The option price is the closing price of the stock on the New York Stock Exchange on the day the option is granted. Options granted are exercisable in ten equal amounts

over a ten-year period on a cumulative basis commencing one year from date of grant. During the fifty-two week period ended February 1, 1961, 2,290 shares of treasury stock were issued for options exercised. On February 1, 1961, 189 individuals held options for 352,610 shares at prices ranging from \$26 $\frac{1}{8}$  to \$47 $\frac{1}{8}$  per share, of which options for 95,920 shares were exercisable.

4. The Company had 667 leases in effect at February 1, 1961 having terms of more than three years after that date. These leases provided for present aggregate minimum annual rentals of approximately \$11,373,000 (of which \$1,337,000 is payable to M-W Properties Corporation) plus, in certain instances, real estate taxes and other expenses. Additional amounts based upon percentage of sales may become due on 25% of these leases. The Company has no obligations under any of these leases beyond the year 1991 except for ground leases of one store which extend through the year 2020.

### **MONTGOMERY WARD CREDIT CORPORATION**

1. Under the Indenture relating to the 4 $\frac{7}{8}$ % Debentures due July 1, 1980, the Credit Corporation may not pay or declare dividends on its common stock or acquire any of its common stock if, after giving effect to such transactions, current assets are not at least equal to 120% of total liabilities, exclusive of amounts withheld in connection with the purchase of deferred payment contracts and indebtedness subordinated to such debentures.

2. On February 3, 1961, Montgomery Ward & Co., Incorporated made an additional capital contribution of \$15,000,000 which was added to capital in excess of par value.
3. On February 7, 1961, the Credit Corporation sold \$25,000,000 4 $\frac{3}{4}$ % Debentures, due February 1, 1981 and \$25,000,000 5 $\frac{1}{4}$ % Subordinated Debentures, due February 1, 1981 for net proceeds in the amount of approximately \$49,375,000.

## *Auditors' Opinion*

*To the Shareholders and Board of Directors, Montgomery Ward & Co., Incorporated:*

We have examined the consolidated balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) and subsidiaries as of February 1, 1961, and the related consolidated statements of earnings and earnings reinvested for the 52-week period then ended. We have also examined the balance sheets of Montgomery Ward Credit Corporation, Montgomery Ward Realty Corporation, and M-W Properties Corporation (all Delaware corporations incorporated during fiscal year 1960) as of February 1, 1961. Our examinations were made in accordance with generally accepted auditing

standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements referred to above present fairly the financial position of the companies as of February 1, 1961, and the consolidated results of their operations for the 52-week period then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Arthur Andersen & Co.*

*Chicago, Illinois, March 24, 1961*



#### DIRECTORS

John A. Barr  
*Chairman of the Board*  
Philip R. Clarke  
*Chairman, Executive Committee*  
Russell P. Bygel  
Harry P. Davison  
Percy B. Eckhart  
Paul M. Hammaker  
Charles J. Kushell, Jr.  
Lenox R. Lohr  
Ernest S. Marsh  
Robert L. Milligan  
Solomon A. Smith

#### OFFICERS

John A. Barr, *Chairman*  
Paul M. Hammaker, *President*  
Charles J. Kushell, Jr., *Financial Vice President*  
Edmund P. Platt, *Executive Vice President, Regional Operations*  
Charles W. Wood, *Vice President, Merchandising*  
Harold F. Dysart, *Vice President and Controller*  
Thomas M. Green, *Vice President, Planning and Development*  
Anthony D. Eastman, *Vice President, Personnel*  
Russell P. Bygel, *Vice President*  
Julius P. Hansen, *Vice President*  
Lester O. Naylor, *Vice President*  
Andrew Lamb, *Treasurer*  
Charles J. Barnhill, *Secretary*  
John M. Clark, *Assistant Treasurer*  
David L. Dickson, *Assistant Secretary*  
Harold W. Bancroft, *Assistant Secretary*

#### TRANSFER AGENTS

The Northern Trust Company, Chicago, Ill.  
Morgan Guaranty Trust Company of New York, New York, N.Y.

#### REGISTRARS

The First National Bank of Chicago, Chicago, Ill.  
Bankers Trust Company, New York, N.Y.

## Five-Year Statistical Summary

for fiscal years ended

February 1,  
1961

#### OPERATIONS

|  |                 |
|--|-----------------|
| Net Sales . . . . .  | \$1,248,993,866 |
| Income Tax . . . . .   | 14,340,000      |
| Net Earnings . . . . .   | 15,053,599      |
| Dividends . . . . .  | 20,619,205      |
| Earnings Reinvested or ( <i>in italics</i> ) Paid Out to shareholders from earnings of previous years . . . . .          | (5,565,606)     |
| Additions to Properties and Equipment (including amounts financed by wholly owned subsidiaries in fiscal 1960) . . . . . | 39,746,106      |
| Depreciation and Amortization . . . . .  | 8,317,153       |
| Average Number of Employees . . . . .  | 67,258          |

#### FINANCIAL POSITION

|  |               |
|--|---------------|
| Cash and Securities . . . . .                        | \$ 56,764,748 |
| Accounts Receivable . . . . .                        | 241,848,794   |
| Inventories . . . . .                                | 266,784,895   |
| Net Investment in Properties and Equipment . . . . . | 111,738,927   |
| Net Equity of Wholly Owned Subsidiaries . . . . .    | 37,540,519    |

#### SHAREHOLDERS' INTEREST

|   |            |
|---|------------|
| Investment per Common Share . . . . .   | \$ 48.42   |
| Net Earnings per Common Share . . . . . | 1.07       |
| Dividends per Common Share . . . . .    | 1.50       |
| Shares Outstanding                      |            |
| Class "A" . . . . .                     | 201,554    |
| Common . . . . .                        | 12,805,696 |
| Number of Shareholders . . . . .        | 107,609    |



*Modern architecture and design characterize the new look of Montgomery Ward stores such as this one at Santa Ana, California.*

| <i>January 31,<br/>1960</i> | <i>January 31,<br/>1959</i> | <i>January 31,<br/>1958</i> | <i>January 31,<br/>1957</i> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| \$1,222,596,263             | \$1,092,267,472             | \$1,073,799,422             | \$1,045,767,458             |
| 32,775,000                  | 28,800,000                  | 30,660,000                  | 38,190,000                  |
| 30,656,537                  | 28,030,510                  | 29,696,757                  | 35,844,479                  |
| 27,010,180                  | 27,011,140                  | 30,507,029                  | 30,671,579                  |
| 3,646,357                   | 1,019,370                   | (810,272)                   | 5,172,900                   |
| 36,073,835                  | 27,271,255                  | 20,476,338                  | 10,516,918                  |
| 6,429,527                   | 5,334,929                   | 4,517,949                   | 3,588,874                   |
| 63,153                      | 58,152                      | 59,714                      | 57,691                      |
| \$ 33,556,078               | \$ 94,730,001               | \$ 148,895,965              | \$ 198,191,231              |
| 356,590,631                 | 305,325,253                 | 277,179,867                 | 237,915,314                 |
| 260,218,266                 | 242,026,480                 | 227,432,485                 | 247,094,113                 |
| 104,691,071                 | 75,225,195                  | 53,578,754                  | 37,792,614                  |
| —                           | —                           | —                           | —                           |
| \$ 48.85                    | \$ 48.57                    | \$ 48.49                    | \$ 48.34                    |
| 2.28                        | 2.08                        | 2.19                        | 2.65                        |
| 2.00                        | 2.00                        | 2.25                        | 2.25                        |
| 201,554                     | 201,554                     | 201,554                     | 201,554                     |
| 12,803,406                  | 12,796,256                  | 12,808,556                  | 13,004,756                  |
| 106,006                     | 99,956                      | 92,127                      | 84,605                      |

